



April 23, 2020

The United States Supreme Court Rules that a Plaintiff is not Required to Show Willful Infringement by the Defendant as a Precondition to a Profits Award

The United States Supreme Court held on April 22, 2020, that a plaintiff in a trademark infringement suit was not required to show the defendant willfully infringed the plaintiff's trademark as a precondition to a profits award. The opinion, filed by Justice Neil Gorsuch, settled split approaches by lower courts on whether a finding of "willfulness" is necessary, or just a factor, for a plaintiff to receive ill-gotten profits for trademark infringement. The High Court unanimously held that while a defendant's state of mind may influence the award a plaintiff receives, the plaintiff is **not** required to show the defendant acted "willfully."

The case, *Romag Fasteners Inc. v. Fossil Inc. et al*, involves Romag, a manufacturer of magnetic snap fasteners for use in leather goods and Fossil, a fashion accessories company. Romag and Fossil entered into an agreement providing fossil with permission to use Romag's fasteners on Fossil handbags and other products. Fossil hired a factory in China to manufacture handbags. The factory used counterfeit magnetic fasteners that were stamped with the Romag name on the handbags. Romag discovered the counterfeit fasteners and sued Fossil for trademark infringement and falsely representing that its fasteners came from Romag. In addition to other remedies, Romag sought an order requiring Fossil to hand over profits it earned as a result of its trademark violation.

After a trial, the jury found that Fossil acted "in callous disregard" of Romag's rights, but rejected Romag's accusation that Fossil acted "willfully." The jury awarded Romag \$6.8 million for lost profits. However, the district court and the court of appeals followed the controlling Second Circuit precedent, and refused to award lost profits to Romag because it did not prove Fossil acted "willfully."

The Supreme Court vacated the decision finding a plaintiff in a trademark infringement suit is not required to show that a defendant "willfully" infringed the plaintiff's trademark as a precondition to a profits award. The Court interpreted the plain meaning of the statute which provides that a person who uses another's trademark in a deceptive manner to misrepresent the origin of their goods shall be entitled to the following remedies: (1) a defendant's profits, (2) any damages sustained by the plaintiff, and (3) the costs of the action. The ruling noted that the remedies are not contingent on the defendant's "state of mind;" although the Court did find that "a defendant's mental state is relevant to assigning an appropriate remedy." With this ruling, future plaintiffs will not need to show the mental state of the defendant to receive profits, however, the amount of the award will still be linked to the defendant's state of the mind in connection with the infringement.

Who is Affected by the Supreme Court Ruling?

Under federal trademark law, any person who uses another's trademark in a way that is likely to cause confusion as to the origin of their goods shall be liable in a civil action. 15 U.S.C. § 1125(a). When a violation of § 1125(a) occurs, a plaintiff shall be entitled to (1) defendant's profits, (2) any damages sustained by the plaintiff, and (3) the costs of the action. 15 U.S.C. § 1117(a). With the Supreme Court's decision that willfulness is not required, trademark owners will have an easier path to the statutory remedies provided for in § 1117(a). However, to ensure the maximum award, trademark owners will still need to show the defendant's level of culpability. Conversely, defendants in these cases can still abate any award by showing that any infringement was innocent.

How to Protect from Trademark Infringement and Ensure Maximum Recovery for Infringement

Now, it is more important than ever for trademark owners to understand their rights and remedies if their trademark is infringed. Conversely, it is imperative for those accused of infringement to understand the breadth of possible remedies available to the trademark owner and how to defend against these award demands. The Supreme Court's decision does **not** mean that trademark owners will automatically receive profits from a defendant, but it does signify that certain strategies must be employed depending on your situation. This ruling is especially noteworthy for those who license trademarks, because although use of the mark may have been authorized, if the licensee inappropriately uses the mark in violation of § 1125(a), the trademark owner will not need to show the licensee (or former licensee) willfully misused the mark.

Lawyers in Kutak Rock's intellectual property group have extensive experience in navigating these issues and excel in providing strategies and other measures to protect IP rights holders.

Additional Information

If you would like assistance evaluating and handling these and other related matters, please contact one of the authors or any member of our [Intellectual Property Practice Group](#).

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